

# City of Cincinnati



*Interdepartmental  
Correspondence Sheet*

*April 30, 2013*

**To:** Mayor and Members of City Council

**From:** Milton Dohoney, Jr., City Manager

**Subject:** Streetcar Financing Plan

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## BACKGROUND

On April 16, 2013 the Administration provided an FYI memo detailing the status of the Cincinnati Streetcar Project. As detailed in that memo, the budget gap for the project is \$22.7 million based on the pricing in the lowest bid for the civil construction contract. After a thorough review involving City and SORTA project staff, the design contractor (Parsons Brinckerhoff), the City's independent third party estimator (ME Companies), local experts, including John Deatrick, Project Executive for The Banks, and an outside team of third party experts from the American Public Transportation Association (APTA), the City has been able to identify total scope reductions of \$5.3 million. It was also determined that there are additional value engineering areas but that they need to be evaluated following execution of a construction contract with the vendor. Therefore, at this time further scope reductions would compromise the quality and functionality of the streetcar system to an extent that would jeopardize federal grant dollars. With the scope reductions, the remaining gap is \$17.4 million

## FUNDING OPTIONS

An additional \$17.4 million will be needed as soon as possible in order to construct the Streetcar Project as originally envisioned and stay in compliance with Federal grant deadlines. The Administration has identified the following options that are available now in order to close the gap:

### 1. Reprogram Capital/TIF Projects for \$17.4 million

The City could identify \$17.4 million in capital or TIF resources. This would involve a combination of projects that have either been completed under budget, could be deferred or cancelled. The service impact of this option would depend on the projects that would be deferred or cancelled. The General Capital Budget funds infrastructure projects such as streets, bridges, municipal buildings, and other facilities. It also funds fleet replacement, Information Technology initiatives, economic development projects such as brownfield redevelopment and NBD improvements, environmental remediation, and market rate housing projects. TIF District Funds are typically used for either infrastructure projects that benefit the District or Housing Projects within the District. The Streetcar route crosses three TIF Districts including the Downtown/OTR East TIF District which contains the Casino. The Streetcar is a public infrastructure project that benefits the TIF Districts therefore TIF is an eligible source.

### 2. Issue General Capital Debt for \$17.4 million

The City could issue 25 year General Capital bonds to be repaid from either dedicated Property Tax or Income Taxes sources. If the Property Tax source was used for the entire \$17.4 million it would require an increase in the property tax millage of 0.25 mills which would impact the owner of a

\$100,000 by \$8 a year. It was also impact our bond debt limits and therefore it would have an impact on future year capital budgets.

If the Income Tax source was used for the entire \$17.4 million, it would reduce the Income Tax Cash General Capital Source by \$1.3 million a year for 25 years. The 2013-2018 General Capital Investment Program budgets approximately \$11.5 million a year from the Income Tax Cash Capital resource. A \$1.3 million reduction would represent an 11% reduction to that resource for the next 25 years. Income Tax Cash Capital is predominately used to fund Economic Development and Housing projects in the General Capital Budget.

### **3. Issue Focus 52 Debt for \$17.4 million**

The City could issue 20 year Focus 52 Debt to be repaid with non-taxes General Fund sources. City Council has approved using \$4 million a year to support the Focus 52 program. If Focus 52 was used for the entire \$17.4 million at \$1.3 million a year for 20 years, it would leave approximately \$11 million in Focus 52 capacity for other projects. In addition, it would limit the City's ability to use the Focus 52 resources to balance the City's General Fund budget.

### **4. A Combination of the above Solutions for \$17.4 million**

In order to minimize the impact on any one source, a combination of the above options could be utilized in order to close the \$17.4 million gap.

### **RECOMMENDED FUNDING OPTION**

The Administration recommends option 4. Our funding plan is detailed below.

**Reprogram Capital/TIF Projects:** **\$12.9 million**

***TIF Funds: Casino Area Infrastructure*** **\$6.5 million**

**Background** - On November 16, 2011 the City Council approved ordinance #338-2011 (subsequently amended on June 20, 2012 by ordinance #206-2012) that provided for the issuance of \$28 million for the purpose of financing certain developer-constructed public infrastructure improvements and city-constructed public infrastructure improvements in the Casino Area. The source of revenue for these bonds was Downtown/OTR East TIF District funds specifically backed by Minimum Service Payments made by Rock Ohio Caesars Cincinnati, LLC. (Casino Owner). The bond proceeds were deposited into two capital project accounts \$16.8 million for the developer-constructed public infrastructure improvements and up to \$11.2 million for the city-constructed public infrastructure improvements.

The City entered into a Development Agreement with the Casino Owner for up to \$16.8 million in specific public infrastructure improvements such as widening and straightening out certain roads; relocating other roads, installing new traffic signals; replacing sidewalks and curbs; undergrounding utilities along certain roads; installing street trees, street lights and other furnishings (trash cans, benches, etc.); and creating landscaped plazas. The Casino Owner has now completed this project significantly under budget and is finalizing punch list items. Therefore there is \$4.0 million in funds available in this account that can be reprogrammed for the Streetcar Project.

*Trade-offs* - While the original scope of work is finished, the Casino Owner has expressed interest in asking City Council for scope enhancements including under lighting the trees along Reading Road and conducting an interchange modification study at the corner of Liberty/Reading/I-471 in order to put a Northbound Right Turn only lane in from Reading onto I-471. These projects would not be able to be completed if the funds were directed to the Streetcar Project.

*Background* - The City is also in the process of constructing infrastructure improvements in the Neighborhoods around the Casino site which primarily includes Over-the-Rhine, Pendleton, and the Central Business District. Based on a preliminary planning on how the bonds were going to be sold a total budget for this work was identified as \$8.65 million. This allowed \$2.5 million for bond issuance costs. Of the \$8.65 million, City Council has approved a scope of work totaling \$6.95 million. In general, this work include streetscape improvements on certain roads to include new street trees and bump-outs; replacing street lights and street trees on other roads; converting two streets to two way traffic from one way traffic; installing new pedestrian lighting in some streets; undergrounding utilities in some streets, installing way finding signage to and from the site; installing public art along some streets; spot infrastructure repairs on curbs and ramps where necessary; and the renovation and replacement of equipment of one recreational area. The remaining budget that is yet to be committed is \$1.7 million. The City Council has appointed a Casino Neighborhoods Working Group which is to recommend specific projects for City Council's approval.

Since the original budget was established, the Finance Department has actually sold the bonds as part of the larger annual bond sale. Based on the favorable terms at the time, the Finance Department was able to cover bond issuance costs as part of the larger bond issuance which now results in the previously set aside \$2.5 million if fund being available that can be reprogrammed for the Streetcar Project.

*Trade-offs* – While these funds are not currently committed for any other purpose they could be used by the Casino Neighborhoods Working Group to fund additional projects around the Casino area. However, since the Streetcar passes within two blocks of the Casino Site, it is a project within the Casino Area that both benefits the TIF District and the Casino.

#### ***General Capital Funds: Music Hall***

***\$5.4 million***

*Background* – On June 27, 2012 the City Council approved ordinance #289-2012 which transferred \$4 million of General Capital resources to the Music Hall Renovation Project. The Ordinance also further pledged to contribute an additional \$6 million in funds over the next three years (2013, 2014 and 2015) for the renovation project. The City Council approved 2013-2018 General Capital Investment Program included this additional \$6.0 million over a three year period. There was also \$600,000 of maintenance funds included in the original plan.

On April 10, 2013 the City Council approved ordinance #084-2013 which authorized a development agreement with Music Hall Revitalization Company, Inc (MHRC) to renovate Music Hall. This Development Agreement has a fundraising deadline of July 1, 2015 to meet the Fundraising commitment of an additional \$16.5 million. The agreement also provides for the City to commit \$600,000 for maintenance for a three year period (2013, 2014 and 2015) and if the fundraising commitment is met \$10 million over a four year period (2016, 2017, 2018, 2019).

Based on this new timing, \$5.4 million of the \$6 million in funds already set aside for Music Hall by this year aren't needed until 2016 and can be reprogrammed in the interim to the Streetcar Project.

*Trade-offs* – In order to fund the Music Hall Renovation Project, \$2.5 million a year will be budgeted in the General Capital Budget as a mega project for 2016, 2017, 2018 and 2019. This means that the funds will be budgeted first off the top before other capital projects. This will have a proportionate impact on all General Capital Projects with the exception of the City's commitment to maintain 100 lane miles which will also be budgeted as a mega project per City Council policy. As the General Capital Budget ranges between \$46 to \$51 million those years, the impact on the 2017 to 2019 General Capital budgets would be an approximate 5% reduction on all capital projects. The actual impact on specific projects can't be determined until the development of the capital budgets in those years. Please note this impact is offset by an additional \$2 million available in 2015 Fiscal Year that was previously committed to the original Music Hall Plan. Please see table below.

	2012	2013	2014	2015	2016	2017	2018	2019	
Music Hall	Calendar Year	Stub Period	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Total
Original Funding Plan	\$4,000,000	\$0	\$2,000,000	\$2,000,000	\$2,600,000				\$10,600,000
Revised Funding Plan			\$600,000		\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,600,000

**General Capital Funds: Traffic Signal Replacement** **\$0.5 million**

**Water Works Capital Funds: Water Main Relocation** **\$0.5 million**

**Issue General Capital Debt:** **\$4.6 million**

cc: Lea D. Eriksen, Budget Director  
Reginald Zeno, Finance Director

Attachments